



GA SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998)

Mayoral committee

Mayor Masegela N.G.

Councillors

Name

Meyers T.E. (Speaker)

Assegai G.C.

Aucamp W.A.S.

Bloem S.N.

Chweu K.H.

Disang M.F.

Dispi N.G.

Eiman B.A.

Galeboe M.P.

Kanjeruba K.F.

Leserwane E.B.

Leserwane O.A.

Madikiza Selepe K.B.

Makoke L.N.

Makwati K.R.

Mathibe O.D.

Mntuyedwa G.N.

Moagi L.

Modise E.B.

Moseki L.C.

Mpata D.T.

Nelson L.R.

Ngesi N.G.

Reetsang M.G.

Thupaemang N.G.

Tshetshemeserogwe I.

Chief Financial Officer (CFO) K. Noke

Accounting Officer E. Ntefang Term ended 30 September 2017

Accounting Officer M. Tsatsimpe Appointed 1 October 2017

Registered office Corner Voortrekker and School Street
Kuruman

Business address Corner Voortrekker and School Street
Kuruman

Postal address Private Bag X1522
Kuruman
8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Bankers	FNB
Auditors	Auditor General (South Africa)
Jurisdiction	<p>The Ga-segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill, Ditshoswaneng, Mpoteng, Seoding, Mokalamosesane, Gamopedi, Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batlharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg, Kagung, Lohatlha, Seven Miles, Thamonyanche, Wrenchville, Promise Land and Thuli Madonsela.</p>
Relevant Legislation	<p>Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No. 108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations</p>

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 13
Accounting Policies	14 - 34
Notes to the Annual Financial Statements	35 - 70

ACIP	Accelerated Community Infrastructure Program
ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy Grant
DWAF	Department of Water Affairs
EPWP	Expanded Public Works
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
WSIG	Water Services Infrastructure Grant
PAYE	Pay As You Earn
RHIG	Rural Housing Infrastructure Grant
SARS	South African Revenue Services
SDL	Skills Development Levies
UIF	Unemployment Insurance Fund

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

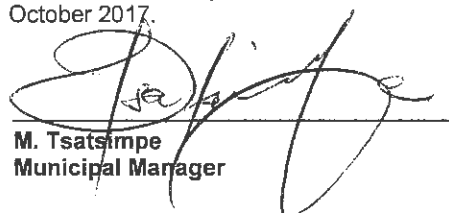
The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is separately presented.

The annual financial statements set out on pages 7 to 70, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2018.

There was a change in leadership of the municipality during the financial year as the Municipal Manager was appointed in October 2017.



M. Tsatsimpe
Municipal Manager

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended	Notes
Ms L. Dhlamini (Chairperson)	7	3 year term appointed as Chairperson
Mr S. Simelane	4	3 year term appointed as member
Mr A. Ngobeni	2	3 year term appointed as member
Mr F. Buys	4	3 year term appointed as member
Mr R. Tshimomola	6	3 year term appointed as member

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to reporting on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The effectiveness of internal control

The system of controls should be designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and compliance with appropriate laws and regulations achieved.

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit.
- Repeat external audit findings
- No consequence management and ineffective oversight structures

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Audit Committee Report

Date: _____

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

	Note(s)	2018 R	2017 Restated* R
Assets			
Current Assets			
Inventories	3	54 848 908	57 990 013
Receivables from non-exchange transactions	4	10 527 949	24 932 391
VAT	5	16 381 921	15 309 553
Receivables from exchange transactions	6	19 921 341	20 300 105
Cash and cash equivalents	7	11 688 188	990 123
		113 368 307	119 522 185
Non-Current Assets			
Investment property	8	6 961 100	6 961 100
Property, plant and equipment	9	1 238 306 635	1 239 148 670
Intangible assets	10	350 553	573 105
Heritage assets	11	1 655 642	1 655 642
		1 247 273 930	1 248 338 517
Total Assets		1 360 642 237	1 367 860 702
Liabilities			
Current Liabilities			
Other financial liabilities	12	8 165 199	6 666 473
Finance lease obligation	13	1 880 344	1 597 114
Payables from exchange transactions	14	122 797 456	124 675 914
Consumer deposits	15	3 833 167	4 202 439
Employee benefit obligations	16	1 618 925	1 399 725
Unspent conditional grants and receipts	17	1 699 569	18 492 566
		139 994 660	157 034 231
Non-Current Liabilities			
Other financial liabilities	12	12 757 341	14 667 776
Finance lease obligation	13	1 950 435	2 819 011
Employee benefit obligations	16	25 352 432	23 424 176
Provisions	18	12 891 497	4 870 377
		52 951 705	45 781 340
Total Liabilities		192 946 365	202 815 571
Net Assets		1 167 695 872	1 165 045 131
Reserves			
Revaluation reserve	19	14 835 415	14 835 415
Accumulated surplus		1 152 860 457	1 150 209 716
TOTAL NET ASSETS		1 167 695 872	1 165 045 131

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

	Note(s)	2018 R	2017 Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		3 712 263	5 618 635
Service charges	21	138 304 491	122 759 546
Rental of facilities	22	1 374 420	1 926 041
Interest on outstanding receivables		5 616 813	5 901 682
Licences and permits		4 573 021	5 050 505
Other revenue		2 561 479	14 962 597
Interest on investments	24	2 155 587	176 099
Total revenue from exchange transactions		158 298 074	156 395 105
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	38 408 384	36 250 313
Transfer revenue			
Government grants and subsidies realised	26	232 485 580	226 228 557
Public contributions and donations	27	2 789 054	699 022
Fines, penalties and forfeits		1 120 100	9 739 846
Total revenue from non-exchange transactions		274 803 118	272 917 738
Total revenue	20	433 101 192	429 312 843
EXPENDITURE			
Employee related costs	28	(119 733 139)	(103 870 213)
Remuneration of councillors	29	(9 646 663)	(7 815 297)
Depreciation and amortisation	30	(53 503 698)	(55 001 180)
Impairment loss	31	(3 686 144)	(16 541 727)
Finance costs	32	(18 020 935)	(2 763 397)
Provisions	33	(25 756 863)	(15 370 191)
Bulk purchases	35	(99 087 945)	(96 152 230)
Contracted services	36	(11 514 968)	(8 421 950)
General expenses	37	(79 131 802)	(89 887 833)
Total expenditure		(420 082 157)	(395 824 018)
Operating surplus		13 019 035	33 488 825
Profit/loss on disposal of assets		(709 270)	(920 923)
Actuarial gains	16	526 317	1 720 891
		(182 953)	799 968
SURPLUS FOR THE YEAR		12 836 082	34 288 793

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	20 487 531	1 119 783 955	1 140 271 486
Adjustments			
Prior year adjustments	-	(3 863 032)	(3 863 032)
Balance at 01 July 2016 as restated*	20 487 531	1 115 920 923	1 136 408 454
Changes in net assets			
Surplus for 12 months ended 30 June	-	34 288 793	34 288 793
Other changes	349 884	-	349 884
Derecognition of revaluation on transfer of land	(6 002 000)	-	(6 002 000)
Total changes	(5 652 116)	34 288 793	28 636 677
Opening balance as previously reported	14 835 415	1 084 066 722	1 098 902 137
Adjustments			
Prior year adjustments	-	55 957 653	55 957 653
Restated* Balance at 01 July 2017 as restated*	14 835 415	1 140 024 375	1 154 859 790
Changes in net assets			
Surplus for the year ended 30 June	-	12 836 082	12 836 082
Total changes	-	12 836 082	12 836 082
Balance at 30 June 2018	14 835 415	1 152 860 457	1 167 695 872
Note(s)	19		

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

	Note(s)	2018 R	2017 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		210 683 224	160 059 485
Grants		220 251 000	235 809 907
Interest on investments		2 155 587	176 099
Other receipts		4 198 684	15 661 619
		<u>437 288 495</u>	<u>411 707 110</u>
Payments			
Employee costs		(129 379 802)	(111 685 507)
Other payments		(215 778 931)	(184 004 053)
Finance costs		(18 020 935)	(2 763 397)
		<u>(363 179 668)</u>	<u>(298 452 957)</u>
Net cash flows from operating activities	38	<u>74 108 827</u>	<u>113 254 153</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(87 144 535)	(102 127 484)
Proceeds from sale of property, plant and equipment	9	25 885 030	6 213 773
Purchase of intangible assets	10	(134 561)	(400 000)
Proceeds from sale of intangible assets	10	52 727	138 526
Purchase of vat		(1 072 368)	(15 309 553)
Net cash flows from investing activities		<u>(62 413 707)</u>	<u>(111 484 738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(411 709)	(2 527 619)
Finance lease payments		(585 346)	1 215 960
Net cash flows from financing activities		<u>(997 055)</u>	<u>(1 311 659)</u>
Net increase/(decrease) in cash and cash equivalents		10 698 065	457 756
Cash and cash equivalents at the beginning of the year		990 123	532 367
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	<u>11 688 188</u>	<u>990 123</u>

* See Note 52

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	9 999 996	(3 333 333)	6 666 663	3 712 263	(2 954 400)	1
Service charges	132 195 324	(14 528 777)	117 666 547	138 304 491	20 637 944	
Rental of facilities	2 205 000	(1 164 577)	1 040 423	1 374 420	333 997	2
Interest on outstanding receivables	6 200 004	(516 667)	5 683 337	5 616 813	(66 524)	
Licences and permits	4 208 100	(62 340)	4 145 760	4 573 021	427 261	
Other revenue	1 233 708	(363 807)	869 901	2 561 479	1 691 578	3
Interest on investments	1 100 004	574 998	1 675 002	2 155 587	480 585	4
Total revenue from exchange transactions	157 142 136	(19 394 503)	137 747 633	158 298 074	20 550 441	
Revenue from non-exchange transactions						
Property rates	39 074 688	(3 256 224)	35 818 464	38 408 384	2 589 920	
Government grants and subsidies realised	223 756 968	(46 783 682)	176 973 286	232 485 580	55 512 294	5
Public contributions and donations	-	-	-	2 789 054	2 789 054	6
Fines, Penalties and Forfeits	1 288 584	(104 467)	1 184 117	1 120 100	(64 017)	7
Total revenue from non-exchange transactions	264 120 240	(50 144 373)	213 975 867	274 803 118	60 827 251	
Total revenue	421 262 376	(69 538 876)	351 723 500	433 101 192	81 377 692	
EXPENDITURE						
Employee related costs	(114 481 008)	13 470 655	(101 010 353)	(119 733 139)	(18 722 786)	8
Remuneration of councillors	(8 151 948)	(182 851)	(8 334 799)	(9 646 663)	(1 311 864)	9
Depreciation and amortisation	(36 201 480)	3 016 790	(33 184 690)	(53 503 698)	(20 319 008)	10
Impairment loss	-	-	-	(3 686 144)	(3 686 144)	11
Finance costs	(3 913 260)	(2 397 113)	(6 310 373)	(18 020 935)	(11 710 562)	12
Debt Impairment	(536 952)	(6 394)	(543 346)	(25 756 863)	(25 213 517)	13
Repairs and maintenance	(2 300 004)	(24 174 788)	(26 474 792)	(17 692 832)	8 781 960	14
Bulk purchases	(74 786 868)	(15 026 441)	(89 813 309)	(99 087 945)	(9 274 636)	15
Contracted services	(38 940 000)	24 372 025	(14 567 975)	(11 514 968)	3 053 007	16
General expenses	(53 599 692)	(9 091 110)	(62 690 802)	(61 438 970)	1 251 832	
Total expenditure	(332 911 212)	(10 019 227)	(342 930 439)	(420 082 157)	(77 151 718)	
Operating surplus	88 351 164	(79 558 103)	8 793 061	13 019 035	844 390 288	
Gain on disposal of assets	-	-	-	(709 270)	(709 270)	17
Actuarial gains/losses	-	-	-	526 317	526 317	18
	-	-	-	(182 953)	(182 953)	
SURPLUS FOR THE YEAR	88 351 164	(79 558 103)	8 793 061	12 836 082	4 043 021	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	87 504	(80 212)	7 292	54 848 908	54 841 616	19
Receivables from non-exchange transactions	(2 325 312)	193 776	(2 131 536)	10 527 949	12 659 485	20
Receivables from exchange transactions	(4 747 128)	1 528 924	(3 218 204)	19 921 341	23 139 545	22
VAT	-	-	-	16 381 921	16 381 921	
Cash and cash equivalents	43 428 372	(97 634 803)	(54 206 431)	11 688 188	65 894 619	23
	36 443 436	(95 992 315)	(59 548 879)	113 368 307	172 917 186	
Non-Current Assets						
Investment property	-	-	-	6 961 100	6 961 100	
Property, plant and equipment	87 756 156	(4 990 620)	82 765 536	1 238 306 635	1 155 541 099	
Intangible assets	-	-	-	350 553	350 553	24
Heritage assets	-	-	-	1 655 642	1 655 642	
	87 756 156	(4 990 620)	82 765 536	1 247 273 930	1 164 508 394	
Total Assets	124 199 592	(100 982 935)	23 216 657	1 360 642 237	1 337 425 580	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	8 165 199	8 165 199	
Finance lease obligation	-	-	-	1 880 344	1 880 344	25
Payables from exchange transactions	-	-	-	122 797 449	122 797 449	26
Consumer deposits	-	-	-	3 833 167	3 833 167	27
Employee benefit obligations	-	-	-	1 618 925	1 618 925	
Unspent conditional grants and receipts	-	-	-	1 699 569	1 699 569	28
	-	-	-	139 994 653	139 994 653	
Non-Current Liabilities						
Other financial liabilities	-	-	-	12 757 341	12 757 341	
Finance lease obligation	-	-	-	1 950 435	1 950 435	
Employee benefit obligations	-	-	-	25 352 432	25 352 432	
Provisions	-	-	-	12 891 497	12 891 497	29
	-	-	-	52 951 705	52 951 705	
Total Liabilities	-	-	-	192 946 358	192 946 358	
Net Assets	124 199 592	(100 982 935)	23 216 657	1 167 695 879	1 144 479 222	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
	R	R	R			
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	14 835 415	14 835 415	30
Accumulated surplus	(5 388 936)	4 758 400	(630 536)	1 152 860 468	1 153 491 004	
Total Net Assets	(5 388 936)	4 758 400	(630 536)	1 167 695 883	1 168 326 419	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired.

The impairment for trade receivables and loans receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts. Debtors are graded on the following basis:

Grade A

Trade receivables are not impaired for customers with accounts that are not in arrears.

Grade B

Customers with a payment history but with balances outstanding in excess of 90 days, the balance in excess of 90 days is impaired in full.

Grade C

Customers without payment history are considered to be delinquent and the outstanding balances are impaired in full.

Government debtors

Government debtors are not impaired as the government generally has a history of meeting its obligations.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinity
Furniture and fixtures	3-15 years
Infrastructure	
- Sewer pump station	15-60 years
- Solid waste disposal	3-9 years
- Electricity network	3-20 years
- LV network	10-50 years
- Distribution network	2- 30 years
- Bridges	30-80 years
- Bulk supply	50-100 years
- MV network	15-60 years
- Road structures	5-55 years
- Airport structures	20-60 years
- Collection and reticulation network	50 years
- Borehole	3-100 years
- Distribution reticulation network	5-60 years
- Storage	10-15 years
- Stormwater	10-60 years
- Road traffic management	10-40 years
- Waste water treatment	15-60 years
- Water network	20 years
- Water pipes	20 years
- Water pump	5-100 years
- Water storage	3-20 years
Community Assets	
- Buildings	100 years
Other property, plant and equipment	
- Furniture and equipment	5-10 years
- Motor vehicles	5-15 years
- Office equipment	3-10 years
- Plant equipment	4-15 years
- Office equipment	1-5 years
Landfill site	17 years

Straight line

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Reassessment of useful lives

The municipality changed its accounting policy for property, plant and equipment in 2018. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of two years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2018 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Item	Average useful life
Computer software	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Heritage assets (continued)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of the entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

1.9.1 Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at fair value

1.9.2 Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the municipality becomes a party to the contractual provisions of the instrument.

1.9.3 Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

1.9.4 Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.9 Financial instruments (continued)

1.9.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.9.6 Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the Municipality reclassifies the instrument from cost to fair value.

1.9.7 Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.9.8 Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

1.9.9 Derecognition

1.9.9.1 Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.9.9.2 Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

1.9.10 Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Leases (continued)

1.11.1 Finance leases - lessee

Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Provisions and contingencies

1.16.1 Initial Recognition

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Revenue from exchange transactions (continued)

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

1.17.4 Interest

Revenue arising from the use by others of the municipality's assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18.3 Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget information

Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.24 Budget information (continued)

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2018.

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

3. Inventories

Other inventories held for sale (land)	53 584 600	55 948 368
Consumable stores	1 219 479	1 992 614
Water	44 829	58 800
	54 848 908	57 999 782
Inventories (write-downs)	-	(9 769)
	54 848 908	57 990 013

4. Receivables from non-exchange transactions

Fines	1 238 230	12 041 148
Motor vehicle and housing loans	61 070	88 337
Other receivables from non-exchange revenue	16 959	98 313
Consumer debtors - Rates	9 211 690	12 704 593
	10 527 949	24 932 391

Included in receivables from non-exchange transactions are balances owing from property rates as follows:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
4. Receivables from non-exchange transactions (continued)		
Current (0 - 30 days)	10 058	8
31 - 60 days	571 388	512 725
61 - 90 days	427 300	417 405
91 - 120 days	274 597	343 428
121 - 365 days	1 411 742	1 905 104
> 365 days	23 548 574	28 660 773
	26 243 659	31 839 443
Less: Allowance for impairment	(17 031 969)	(19 134 850)
Net balance	9 211 690	12 704 593
5. VAT		
VAT	16 381 921	15 309 553
6. Receivables from exchange transactions		
Gross balances		
Electricity	11 169 113	10 107 953
Water	2 902 406	7 677 639
Sewerage	31 085 257	15 065 430
Refuse	10 855 057	9 541 046
Other	20 577 808	26 567 562
	76 589 641	68 959 630
Less: Allowance for impairment	(56 668 300)	(48 659 525)
Net balance	19 921 341	20 300 105
Reconciliation of allowance for impairment		
Balance at beginning of the year	(48 659 525)	(34 079 022)
Contributions to allowance	(8 008 775)	(14 580 503)
	(56 668 300)	(48 659 525)
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6 050	6 050
Other cash and cash equivalents	11 682 138	984 073
	11 688 188	990 123

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Petty cash float	-	6 050	-	6 050
FNB CHEQUE ACC - 62649722883	1 110 259	2 016 116	1 325 409	862 486
FNB CHEQUE ACC - 62652542632	128 643	128 643	123 581	50 707
FNB 7 DAY CALL ACC 74690806392	4 795 448	4 795 448	18 265 143	51 604
FNB CALL ACCOUNT	5 028 796	5 028 796	3 894 739	19 276
Total	11 063 146	11 975 053	23 608 872	990 123

8. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	6 961 100	6 961 100	6 961 100	6 961 100

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	6 961 100	6 961 100

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	6 961 100	6 961 100

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties. Management review investment property annually to detect material changes from the last reporting date. Management assessed the value of investment property as at 30 June 2018 and believe that the reported values are a true and fair indication of investment property value as at year end.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	22 559 700	-	22 559 700	22 559 700	-	22 559 700
Buildings	137 149 267	(47 448 870)	89 700 397	130 876 764	(42 002 654)	88 874 110
Infrastructure	1 746 966 185	(631 058 918)	1 115 907 267	1 710 374 014	(594 373 654)	1 116 000 360
Other assets	32 313 630	(22 174 359)	10 139 271	32 980 579	(21 266 079)	11 714 500
Total	1 938 988 782	(700 682 147)	1 238 306 635	1 896 791 057	(657 642 387)	1 239 148 670

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Under construction	Transfers	Depreciation on disposal	Depreciation	Impairment loss	Impairment reversal	Total
Land	22 559 700	-	-	-	-	-	-	-	-	22 559 700
Buildings	88 874 110	7 057 659	(393 070)	-	(392 086)	93 037	(2 888 058)	(2 651 195)	-	89 700 397
Infrastructure	1 116 000 360	76 645 722	(22 060 831)	121 834 647	(139 827 366)	10 201 395	(46 407 875)	(562 048)	83 263	1 115 907 267
Other assets	11 714 500	3 441 154	(4 140 399)	-	-	3 502 087	(3 903 379)	(475 143)	451	10 139 271
	1 239 148 670	87 144 535	(26 594 300)	121 834 647	(140 219 452)	13 796 519	(53 199 312)	(3 688 386)	83 714	1 238 306 635

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Under construction	Transfers	Depreciation on disposal	Depreciation	Impairment loss	Impairment reversal	Total
Land	32 428 300	-	-	-	(9 868 600)	-	-	-	-	22 559 700
Buildings	101 080 505	185 740	(3 208 880)	392 085	-	288 726	(2 811 598)	(7 052 468)	-	88 874 110
Infrastructure	933 178 933	100 007 799	-	139 827 366	-	-	(47 623 089)	(9 390 649)	-	1 116 000 360
Other assets	13 410 312	3 333 269	(3 925 816)	-	-	3 289 225	(4 293 881)	(98 609)	-	11 714 500
	1 080 098 050	103 526 808	(7 134 696)	140 219 451	(9 868 600)	3 577 951	(54 728 568)	(16 541 726)	-	1 239 148 670

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
9. Property, plant and equipment (continued)		
Compensation received for losses on property, plant and equipment – included in operating profit.		
Assets subject to finance lease (Net carrying amount)		
Other property, plant and equipment	3 409 882	4 591 141
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	121 834 747	98 953 384
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
MIG 1317: Vergenoeg-Maruping: Upgrading link road to bituminous standard (Phase 2)	-	18 075 379
Constant damages to the road due to residents perpetual behaviour of driving in the road even before all works are completed has delayed the completion period of the project		
Construction of Mapoteng water network extensions	-	11 095 707
During the geophysical and geohydrological study, it was realised that the entire area of Mapoteng does not have sufficient water, two sites from Ditshoswaneng and Sweethome were recently identified with sufficient water, but the pipeline distance was not earmarked in the business plan. The decision with DWS was that an application for source developmet be submitted for funding, a short term solution was to refurbish and utilize the existing borehole that was stopped in 2009. Testing was done and recommendation to pump 5l/s for 12hrs in order to get enough water for the next 12 months or more hence the revised completion date was made for extention of reticulation and standpipes		
Construction of Mokalamosesane bulk water supply augmentation phase 2	-	7 729 495
Intervention from the political office is required to address the nominations of the local laborers		
Bankhara Bodulong: Construction of lined double pit sanitation toilets	-	8 733 876
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.		
Bankara boudolong roads	8 435 380	-
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.		
Bankhara Ncweng road	3 890 576	-
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the of Construction cost, as a result number of units increased from 380- 496.		
	12 325 956	45 634 457

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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9. Property, plant and equipment (continued)

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

MIG 1318: Vergenoeg-Batharos: Upgrading link road to Bituminous standard (Phase 2) - 20 415 122

The project was not completed within the allocated time due to the project being put on hold for local election processes due to lots of community unrest, was later reestablished on 05 September 2016 with the revised completion of 17 May 2017. There were also delays due to late payment of contractor hence the project was completed July 2017

-	20 415 122
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Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	139 827 366	392 086	140 219 452
Additions/capital expenditure	64 785 092	-	64 785 092
Transferred to completed items	(82 777 811)	(392 086)	(83 169 897)
	121 834 647	-	121 834 647

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	141 026 281	-	141 026 281
Additions/capital expenditure	97 754 469	392 086	98 146 555
Transferred to completed items	(98 953 384)	-	(98 953 384)
	139 827 366	392 086	140 219 452

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Deemed cost

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 038 666	(688 113)	350 553	2 059 582	(1 486 477)	573 105

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	573 105	134 561	(52 727)	(304 386)	350 553

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	584 243	400 000	(138 526)	(272 612)	573 105

11. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	5 642	-	5 642	5 642	-	5 642
The Eye	1 650 000	-	1 650 000	1 650 000	-	1 650 000
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
Total	1 655 642	1 655 642

Reconciliation of heritage assets 2017

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
Total	1 655 642	1 655 642

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

11. Heritage assets (continued)

Details of valuation

Heritage assets are reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards. Management review Heritage assets annually to detect material changes from the last reporting date. Management assessed the value of Heritage assets as at 30 June 2018 and believe that the reported values are a true and fair indication of Heritage assets value as at year end.

	2018 R	2017 R
12. Other financial liabilities		
At amortised cost		
Bank loan	16 355 874	21 334 249
DBSA loan		
Equitable share withheld	4 566 666	-
This was paid in three equal instalments ending July 2018.		
	20 922 540	21 334 249
Total other financial liabilities	20 922 540	21 334 249
Non-current liabilities		
At amortised cost	12 757 341	14 667 776
Current liabilities		
At amortised cost	8 165 199	6 666 473
13. Finance lease obligation		
Minimum lease payments due		
- within one year	2 583 269	2 496 537
- in second to fifth year inclusive	2 994 076	3 584 265
	5 577 345	6 080 802
less: future finance charges	(1 746 566)	(1 664 677)
Present value of minimum lease payments	3 830 779	4 416 125
Present value of minimum lease payments due		
- within one year	1 950 435	2 819 011
- in second to fifth year inclusive	1 880 344	1 597 114
	3 830 779	4 416 125
Non-current liabilities	1 950 435	2 819 011
Current liabilities	1 880 344	1 597 114
	3 830 779	4 416 125

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was 26% (2017: 26%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and .

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
14. Payables from exchange transactions		
Trade payables	83 007 873	95 247 991
Accruals	15 027 387	5 062 303
Retention monies	12 394 997	14 423 003
Other payables	4 067 358	2 136 667
Employee costs accrual	6 273 195	5 438 944
Group life Insurance	2 026 646	2 367 006
	122 797 456	124 675 914
15. Consumer deposits		
Service accounts	3 852 090	3 683 443
Housing rental	(18 923)	518 996
	3 833 167	4 202 439

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

16. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension and post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(26 971 357)	(24 823 901)
Non-current liabilities	(25 352 432)	(23 424 176)
Current liabilities	(1 618 925)	(1 399 725)
	(26 971 357)	(24 823 901)

Net expense recognised in the statement of financial performance

Current service cost	1 817 959	1 748 584
Interest cost	2 255 539	2 175 341
Actuarial (gains) losses	(526 317)	(2 077 751)
Expected employer benefit vesting	(1 399 725)	(1 155 225)
	2 147 456	690 949

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,63 %	8,52 %
General salary inflation rate	6,22 %	6,34 %
Expected rate of return on reimbursement rights	2,27 %	2,05 %

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	7 893 313
Library Grant	-	948 593
Finance Management Grant	-	98 000
EPWP Grant	113 300	116
INEP Grant	1 032	818 940
RBIG Grant	22 184	4 522 184
ACIP Grant	8 902	261 070
Rural Housing Infrastructure Grant	-	70
Water Services Infrastructure Grant	1 554 151	3 950 280
	1 699 569	18 492 566

18. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Reduction due to re- measurement	Total
Provision for rehabilitation of landfill sites	4 870 378	8 021 119	-	12 891 497

Reconciliation of provisions - 2017

	Opening Balance	Change in discount factor	Reduction due to re- measurement	Total
Provision for rehabilitation of landfill sites	9 860 959	441 151	(5 431 733)	4 870 377

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 10.29%.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
18. Provisions (continued)		
Key assumptions		
Total Site Area	61 826 m ²	
Area of waste body to be rehabilitated in future (waste footprint) (m2)	46 055 m ²	
Estimated site closure date	2028	
Assumed site start date	1994	
Assumed total site life	36 years	
Remaining site life (as at 01 July 2018) (years)	approximately 10 years	
Estimated annual airspace consumption (m3)	6156	
Estimated total airspace (m3)	186 420	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	10.29% (based on Government Bond yield rate of 9.035% and an Adjustment for risk of 1.25%)	
Estimated airspace remaining (m3)	72 241	
Airspace consumed to date		61 %

19. Revaluation reserve

Opening balance	14 835 415	20 837 415
Change during the year	-	(6 002 000)
	14 835 415	14 835 415

Revaluation reserve balance is as a result of the gains in the fair value of land held by the municipality.

20. Revenue

Sale of stands	3 712 263	5 618 635
Service charges	138 304 491	122 759 546
Rental of facilities	1 374 420	1 926 041
Interest received on outstanding receivables	5 616 813	5 901 682
Licences and permits	4 573 021	5 050 505
Other revenue	2 561 479	14 962 597
Interest investment	2 155 587	176 099
Property rates	38 408 384	36 250 313
Government grants & subsidies	232 485 580	226 228 557
Public contributions and donations	2 789 054	699 022
Fines, penalties and forfeits	1 120 100	9 739 846
	433 101 192	429 312 843

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	3 712 263	5 618 635
Service charges	138 304 491	122 759 546
Rental of facilities	1 374 420	1 926 041
Interest on outstanding receivables	5 616 813	5 901 682
Licences and permits	4 573 021	5 050 505
Other revenue	2 561 479	14 962 597
Interest on investments	2 155 587	176 099
	158 298 074	156 395 105

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	38 408 384	36 250 313
Transfer revenue		
Government grants & subsidies	232 485 580	226 228 557
Public contributions and donations	2 789 054	699 022
Fines, Penalties and Forfeits	1 120 100	9 739 846
	274 803 118	272 917 738
21. Service charges		
Sewer levied	17 913 515	15 133 862
Sale of electricity	89 976 100	82 013 418
Sale of water	20 355 268	17 472 793
Refuse removal	8 744 488	7 921 120
New connections and administration fees	1 315 120	218 353
	138 304 491	122 759 546
22. Rental of facilities		
Premises		
Premises	1 374 420	1 926 041
23. Other revenue		
Other revenue	2 561 479	14 962 597
24. Investment revenue		
Interest revenue		
Bank	2 155 587	161 559
Loans to directors managers and employees	-	14 540
	2 155 587	176 099
25. Property rates		
Rates levied		
Property rates levied	39 452 206	37 656 861
Less: Income forgone	(1 043 822)	(1 406 548)
	38 408 384	36 250 313

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
25. Property rates (continued)		
Valuations		
Residential	2 737 704 400	2 770 047 300
Commercial	851 340 300	854 588 700
State	130 037 800	78 234 000
Municipal	167 960 000	133 227 800
Agriculture	1 811 083 000	1 811 083 000
Industrial	184 204 500	186 418 500
	5 882 330 000	5 833 599 300

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to the impact of alterations, subdivisions and consolidations.

26. Government grants and subsidies realised

Operating grants

Equitable share	132 415 580	117 412 722
Library Grant	2 769 593	1 800 519
Finance Management Grant (FMG)	2 242 997	1 712 000
Expanded Public Works Program Grant (EPWP)	886 816	999 884
Department of Minerals and Energy Grant (DME)	-	1 181 060
ACIP Grant	252 168	-
	138 567 154	123 106 185

Capital grants

Municipal Infrastructure Grant (MIG)	54 204 318	43 627 687
Rural Bulk Infrastructure Grant (RBIG)	70	7 644 965
Integrated National Electrification Programme (INEP)	5 817 908	-
Water Services Infrastructure Grant (WSIG)	33 896 130	51 849 720
	93 918 426	103 122 372
	232 485 580	226 228 557

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	98 506 181	126 506 149
Unconditional grants received	132 415 580	117 412 722
	230 921 761	243 918 871

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
26. Government grants and subsidies realised (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	7 893 313	-
Converted to loan(Unapproved roll over)	(7 900 000)	-
Current-year receipts	54 211 000	51 521 000
Conditions met - transferred to revenue	(54 204 313)	(43 627 687)
	-	7 893 313

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Unapproved roll over was converted to a loan from National Treasury, the repayments were made from withholding of equitable share in three equal instalments of R4 266 666.67 and the last instalment was deducted in July 2018.

Municipal Systems Infrastructure Grant

Balance unspent at beginning of year	-	173 815
Conditions met - transferred to revenue	-	(173 815)
	-	-

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.No allocation was given to the municipality in the current year.

Library Grant

Balance unspent at beginning of year	948 593	541 112
Current-year receipts	1 821 000	2 208 000
Conditions met - transferred to revenue	(2 769 593)	(1 800 519)
	-	948 593

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose is to fund capital projects and maintenance of library facilities the community.

Department of Water Affairs (DWAF)

Balance unspent at beginning of year	-	2 536 262
Amounts withheld	-	(2 536 262)
	-	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.No allocation was given to the municipality in the current year.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
26. Government grants and subsidies realised (continued)		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	98 000	-
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 243 000)	(1 712 000)
	-	98 000

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	116	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(886 816)	(999 884)
	113 300	116

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Department of Minerals and Energy (DME)

Balance unspent at beginning of year	818 940	-
Current-year receipts	5 000 000	2 000 000
Conditions met - transferred to revenue	(5 817 908)	(1 181 060)
	1 032	818 940

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

Municipal Water Infrastructure Grant (MWIG)

Balance unspent at beginning of year	-	3 723 961
Conditions met - transferred to revenue	-	(3 723 961)
	-	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Rural Housing Grant

Balance unspent at beginning of year	-	1 672 243
Conditions met - transferred to revenue	-	(1 672 243)
	-	-

The municipality is the implementing agent for COGHSTA and therefore does not include the amount received and spent on the Rural Housing Grant in its revenue and expenditure. The unspent amount remains as a liability (see note 17).

The purpose of this grant is to facilitate development of rural housing.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
26. Government grants and subsidies realised (continued)		
Regional Bulk Infrastructure Grant (RBIG)		
Balance unspent at beginning of year	4 522 184	-
Current-year receipts	-	12 167 149
Conditions met - transferred to revenue	(4 500 000)	(7 644 965)
	22 184	4 522 184

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

ACIP Water Grant

Balance unspent at beginning of year	261 070	261 070
Conditions met - transferred to revenue	(252 168)	-
	8 902	261 070

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Allocations in kind

Rural Household Infrastructure Grant	10 300 000	5 000 000
Integrated National Electrification Programme (Eskom)	98 362 000	68 611 000
Municipal System Infrastructure Grant	787 000	-
	109 449 000	73 611 000

The following amounts were allocations in kind as per DORA Bill 5 of 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

Rural Housing Infrastructure Development

Balance unspent at beginning of year	70	70
Conditions met - transferred to revenue	(70)	-
	-	70

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of this grant is to provide houses for the rural communities.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
26. Government grants and subsidies realised (continued)		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	3 950 280	3 950 280
Converted to loan(Unapproved roll over)	(3 500 003)	-
Current-year receipts	35 000 000	-
Conditions met - transferred to revenue	(33 896 126)	-
	1 554 151	3 950 280

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

27. Public contributions and donations

Public donations	2 789 054	699 022
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28. Employee related costs

Basic	65 214 459	63 475 459
Bonus	5 015 192	4 456 876
Medical aid - company contributions	5 778 696	4 812 601
UIF	597 361	521 086
Leave/Bonus Provision	8 030 640	791 909
Employee benefit obligations	1 817 959	1 748 584
SETA	-	864 065
Defined contribution plans	9 998 368	9 877 690
Travel, motor car, accommodation, subsistence and other allowances	2 597 289	2 807 046
Overtime payments	6 795 574	5 269 621
Long-service awards	216 886	98 921
Acting allowances	987 454	1 133 323
Housing benefits and allowances	2 961 132	2 793 106
Industrial Council Contributions	-	27 848
Standby Allowance	1 763 137	570 619
Telephone Allowance	333 075	733 118
Group Insurance	1 817 436	1 689 539
Other Allowances	833 996	865 313
Termination benefits	-	1 333 489
	114 758 654	103 870 213

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
28. Employee related costs (continued)		
Remuneration of Municipal Manager		
Remuneration of Municipal Manager: E Ntefang (1 July 2017 - 30 September 2017)		
Annual remuneration	269 378	1 192 660
Car allowance	40 500	162 000
Contributions to UIF	892	1 785
	310 770	1 356 445
Remuneration of Municipal Manager: M Tsatsimpe		
Annual remuneration	878 491	-
Car allowance	125 388	-
Contributions to UIF	2 676	-
Other contributions	65 939	-
	1 072 494	-
Remuneration of Chief Financial Officer		
Remuneration of Chief Financial Officer : Kagiso Noke		
Annual Remuneration	897 483	74 529
Car Allowance	180 000	15 000
Contribution to UIF	3 569	149
Other contributions	73 204	873
	1 154 256	90 551
Remuneration of Chief Financial Officer : Tshegofatso Jarvis		
Acting Allowance	-	266 582
Remuneration of Chief Financial Officer : Tafita Sehloho		
Acting Allowance	40 158	319 898
Remuneration of the Director: Community Services - P Sampson		
Annual Remuneration	989 543	809 097
Car Allowance	90 000	90 000
Acting allowance (Municipal Manager)	11 601	6 398
Contributions to UIF, Medical and Pension Funds	3 569	-
Other contributions	74 075	186 399
	1 094 713	905 495

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
28. Employee related costs (continued)		
Remuneration of Director: Corporate Support Services - M Tsatsimpe		
Annual Remuneration	430 561	976 324
Car Allowance	41 796	167 184
Acting allowance (Municipal Manager)	15 996	122 308
Contributions to UIF	892	1 785
	489 245	1 145 293
Remuneration of the Director: Corporate Support Services - Lencoe		
Acting allowance	339 775	-
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	171 665	-
Remuneration of the Director: Technical Services - H Smit		
Annual Remuneration	1 004 566	1 035 027
Car Allowance	75 500	48 000
Acting allowance (Municipal Manager)	38 389	54 385
Contributions to UIF	3 569	1 785
Other contributions	73 607	-
	1 122 024	1 139 197
29. Remuneration of councillors		
Mayor	1 077 587	538 210
Councillors	7 727 908	6 649 363
Speaker	841 168	627 724
	9 646 663	7 815 297
In-kind benefits		
The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.		
30. Depreciation and amortisation		
Property, plant and equipment	53 199 312	54 728 568
Intangible assets	304 386	272 612
	53 503 698	55 001 180
31. Impairment of assets		
Impairments		
Property, plant and equipment	3 686 144	16 541 727

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
32. Finance costs		
Fair value adjustments: Notional interest	-	486 808
Other interest paid	18 020 935	2 276 589
	18 020 935	2 763 397
33. Provisions		
Other provisions	25 756 863	15 370 191
34. Repairs and maintenance		
Repairs and maintenance - deductible	17 692 832	18 697 311
35. Bulk purchases		
Electricity	73 864 344	74 468 551
Water	25 223 601	21 683 679
	99 087 945	96 152 230
<p>The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.</p>		
36. Contracted services		
Specialist Services	5 515 140	2 813 488
Security services	5 999 828	5 608 462
	11 514 968	8 421 950

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
37. General expenses		
Advertising	146 415	79 249
Auditors remuneration	7 023 327	6 475 593
Bank charges	939 497	1 146 254
Cleaning	-	82 458
Computer expenses	2 055 346	225 419
Consulting and professional fees	22 037 622	13 640 928
VIP toilets	-	14 700 784
Entertainment	152 510	234 693
Flowers	-	400
Hire	7 000 703	2 066 610
Insurance	2 058 112	8 440 375
Community development and training	-	2 520 964
Skills development	957 759	-
Magazines, books and periodicals	-	58 589
Postage and courier	323 514	515 545
Printing and stationery	168 337	235 928
Repairs and maintenance	17 692 832	18 697 311
Royalties and license fees	-	51 423
Subscriptions and membership fees	256 256	1 512 159
Telephone and fax	239 927	418 030
Training	385 364	117 091
Travel - local	2 542 551	1 564 998
Electricity	2 354 450	1 425 781
Grant funded expenditure	-	187 608
Cost of land sold	10 374 009	2 792 332
Town planning and rezoning	-	701 923
Traffic Services	-	2 008 580
Project management costs	-	1 074 750
Grants & subsidies paid	-	337 725
RDP Houses	-	4 018 348
Water quality management expenses	115 180	236 351
Chemicals	-	32 629
Convention bureau	-	96 009
Sundry expenses	2 308 091	4 190 996
	79 131 802	89 887 833

38. Cash generated from operations

Surplus	12 836 082	34 288 793
Adjustments for:		
Depreciation and amortisation	53 503 698	55 001 180
Gain on sale of assets and liabilities	709 270	920 923
Impairment deficit	3 686 144	16 541 727
Debt impairment	25 756 863	11 507 154
Movements in retirement benefit assets and liabilities	2 147 456	690 949
Movements in provisions	8 021 120	(4 990 582)
Other non-cash items	(5 678 523)	(4 955 485)
Changes in working capital:		
Inventories	3 141 105	(6 818 429)
Consumer debtors	(25 378 099)	(14 718 584)
Other receivables from non-exchange transactions	14 404 442	(12 468 498)
Payables from exchange transactions	(1 878 462)	17 630 226
VAT	-	10 668 739
Unspent conditional grants and receipts	(16 792 997)	9 581 348
Consumer deposits	(369 272)	374 692
	74 108 827	113 254 153

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	19 498 503	21 859 107
Total capital commitments		
Already contracted for but not provided for	19 498 503	21 859 107
Total commitments		
Total commitments		
Authorised capital expenditure	19 498 503	21 859 107

This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

40. Contingent Liabilities

The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:

Sulliman Attorneys	150 000	150 000
Van Rooyen	250 000	250 000
Edward Ntefang	65 000	65 000
Legal opinion (Monyela M L)	28 044	28 044
Review: IMATU obo ML Monyela	150 000	150 000
OJM Engineers	250 000	250 000
Public Liability claim: BNH829NC/CDX376NC	20 357	20 357
Property loss: Transformer Golf Club	55 461	-
Public Liability: J Keeiloni - Bodulong	-	3 750
Public Liability: JJ Erasmus	37 068	37 068
Public Liability: APC Botes	12 651	12 651
Public Liability: PB Van der Merwe	14 750	14 750
Public Liability: BVJ098NC	-	12 281
Public Liability: BYN212NC	10 064	10 064
Public Liability: GS Kies	-	36 541
Public Liability: Damage tyre at Testing Station	-	3 570
Wrenchville illegal occupants portion ERF 1 (ERF 5702)	800 000	800 000
Public liability claim : W Markram	17 853	17 853
Public liability: BYG807NC	-	40 224
Public Liability: Damage to wall- Kerk Street	-	10 755
Public Liability: Injury V Maruping	-	1 075
Public liability: CMJ695NC	3 418	3 418
Public Liability: CMM691NC	-	6 800
Public liability: BYG807NC	40 224	-
Public liability: CGK133NC	51 796	-
Public Liability: CRV841NC	10 460	-
Public Liability: Damage to tyre due to pothole	3 669	-
Public liability: Mr Boyise	54 031	-
Public Liability: CPG617NC	16 345	-
Public Liability: CJZ611MZ	27 560	-
	2 068 751	1 924 201

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

41. Related parties

Relationships

Councillor K.B Madikiza

Councillor N.G Thupaemang

Councillor N.S Bloem

Councillor E.B Modise

Councillor G.C Assegai

Municipal Manager - G.E Ntefang

Municipal Manager - M.M. Tsatsimpe

Community Services Director - P.J Sampson

Technical Director - H. Smit

Chief Financial Officer: Kagiso Noke

Councillor: W.A.S Aucamp

Councillor: G.N Mntuyedwa

Councillor: K.B Selepe

Councillor: N.G Ngesi

Councillor: G.N Masegela

Councillor: O.D Mathibe

Councillor: M.G Reetsang

Councillor: M.P Galeboe

Battharos Sound Hire, Tlotlanang Catering & Bomme-sejo Services and Supply Co-operative Limited, By Fire Business Enterprise

Bafumahadi Khumo Enterprise and Projects - Director
Mmeotshwara Thipa Ka Ha Bogaleng Primary Co-operative Limited - Director

Ditswammung Mineral Resources Consortium - Director

Bomme-sejo Services and Supply Co-operative Limited

Bomme-sejo Services and Supply Co-operative Limited

Bomme-sejo Services and Supply Co-operative Limited - Director

Gadikgadi - Director

Self-Propelled Trading and Projects - Director

Gasegonyana Mining Investment - Incorporator

Mediro Peo Holdings - Director

Motshingo Investment - Member

Blue Disa Trading 189 - Member

Bonako Panelbeater - Member

Gabatu Construction Supply Management and

Community Services Providers - Member

Seven Mile Trading 167 - Member

Kurara FM Radio Station - Director

Mimoisa Business Solutions - Director

Local Economic Development Agency of Mafikeng - Director

Mafikeng Industry Development Zone - Director

KAYN Projects - Director

Tau Aggregate - Director

Spectra Mining Solutions - Director

Masakeng A Dipodi Primary Co-operative Limited - Director

Battharos Sound Hire - Director

Tlotlanang Catering - Director

Bomme-Sejo Services and Supply Co-operative Limited - Director

Mighty Metals - Director

Gamotinye Investment Holdings - Directors

Ditukus Project - Director

Battharo Le Bathping Mining Solutions - Director

Boka Resources - Director

Nomisa Enterprise - Director

Letlotlo Lame Trading and Projects - Director

PKS Trading - Director

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
41. Related parties (continued)		
Related party transactions		
Compensation of related parties		
R.M. Meyers (Wife to Councillor T.E. Meyers)	295 231	241 277
B. Thankane (Cousin to Councillor P.Q Mogatle)	-	132 068
N. Rayn (Husband to Councillor S.M. Rayn)	-	132 068
G. Sibi (Daughter to Councillor N.G Thupaemang)	327 179	236 450
K.V. Makoke (Brother to Councillor L.N. Makoke)	388 157	-
D. Baepi (Brother to Councillor L.C. Moseki)	444 976	331 175
K.M. Modise (Daughter to Councillor B.E. Modise)	214 669	-

Related party transactions during the year

Kurara FM (advertisement)	-	3 700
Mimoisa Business Connection	-	285 000

Related party transactions

Related party transactions - Management

	2018 Transactions for the year	2018 Balance as at year end	2017 Transactions for the year	2017 Balance as at year end
Pule RC - Acting Director Corporate Services	12 260	380	3 527	(6 001)
Smit H.J - Director Technical Services	6 930	-	5 733	482
Tsatsimpe MM - Municipal Manager	23 174	-	11 020	1 346
	42 364	380	20 280	(4 173)

42. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2018	30 June 2017
Receivables from exchange transactions	19 921 341	20 300 105
Receivables from non exchange	10 527 949	24 932 391
Cash and cash equivalents and bank overdraft	11 688 188	990 123

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

43. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

- Current liabilities exceed current assets by R (26 626 353)
- Creditors days in 2018 are 207 and in 2017 are 219
- Debtors days in 2018 are 46 and in 2017 are 182

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

Under the DORA Act (Division of Revenue Bill - Bill Published In Government Gazette No. 40610 of 10 February 2017) the municipality has been allocated the following funds for the years 2017/18 to 2019/20.

	2017/18	2018/19	2019/20	Total
Equitable Share	129 580	141 621	152 362	423 563
Other	196 505	196 505	196 505	589 515
	326 085	338 126	348 867	1 013 078

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2018.

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years

2018	2017
R	R

44. Unauthorised expenditure

Unauthorised expenditure	289 513 086	203 758 772
Current year	79 231 539	85 754 314
Written-off	(289 513 086)	-
	79 231 539	289 513 086

45. Fruitless and wasteful expenditure

Opening balance(2018, 2017-as Previously reported)	3 953 575	1 306 643
Restated opening balance	-	1 306 643
Fruitless and wasteful expenditure	3 813 486	2 646 932
Written off	(7 767 061)	-
	-	3 953 575

The expenditure is caused by overdue account of Eskom, Telkom as well as penalties from SARS for late payment of taxes.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
46. Irregular expenditure		
Opening balance previously reported	353 967 205	247 387 887
Adjustment	-	49 798 320
Restated opening balance	353 967 205	297 186 207
Add: Irregular Expenditure - current year	9 690 773	56 780 998
Less: Written-off - prior years	(353 967 205)	-
Less: Written-off - current year	(9 690 773)	-
	-	353 967 205

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c). Some expenditures were paid using pro-forma invoices.
- Bid specifications not drafted by bid specification committee prior to 2015/2016, however Bid specification committee was appointed during 2015/16.
- The amounts are however under investigation by Municipal Public Accounts Committee as a result at the reporting date it was not clear about the write-off or recovery.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	28 401
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Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2018	Lost units	Tariff	Value
Unaccounted electricity losses	18 736 509	0,95	17 799 684,0
30 June 2017			
Unaccounted electricity losses	18 166 042	0,95	17 257 739,9
Volume in KWH/year		30 June 2018	30 June 2017
System Input Volume		78 600 284	78 600 284
Billed Consumption		60 484 242	60 484 242
Distribution Loss		18 736 509	18 116 042
Percentage Distribution Loss (%)		24,41%	23,05%
30 June 2018	Lost units	Tariff	Value
Unaccounted for water losses	3 935 217	5,00	19 676 085
30 June 2017			
Unaccounted for water losses	3 310 611	5,00	16 553 055
Volume in KI/year		30 June 2018	30 June 2017
System Input Volume		5 796 468	5 075 302
Billed Consumption		1 861 251	1 764 691
Distribution Loss		3 935 217	3 301 611
Percentage Distribution Loss (%)		68,00%	65,23%

Included in both water and electricity losses is the municipal own consumption at various municipal facilities.

SDL

Current year subscription / fee	997 469	920 551
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018 R	2017 R	
47. Additional disclosure in terms of Municipal Finance Management Act (continued)			
PAYE and UIF			
Current year subscription / fee	15 856 791	13 956 446	
Amount paid - current year	(15 856 791)	(13 956 446)	
	-	-	
Pension and Medical Aid Deductions			
Current year subscription / fee	25 338 121	23 620 993	
Amount paid - current year	(25 338 121)	(23 620 993)	
	-	-	
VAT			
VAT output payables and VAT input receivables are shown in note 5.			
All VAT returns have been submitted by the due date throughout the year.			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:			
30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
D.T Mpata	403	11 851	12 254
E.B Modise	46	1 440	1 486
G.C Assegaai	100	3 199	3 299
L.R Nelson	2 120	-	2 120
G.N. Mntuyedwa	-	11	11
	2 669	16 501	19 170
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
B.A Eiman	1 101	-	1 101
D.T Mpata	92	5 099	5 191
E.B Modise	17	1 106	1 123
G.C Assegaai	37	2 241	2 278
L.R Nelson	154	214	368
	1 401	8 660	10 061
48. Auditors' remuneration			
Fees	7 023 327	6 475 593	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

49. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	19 921 341	19 921 341
Other receivables from non-exchange transactions	-	10 527 949	10 527 949
Cash and cash equivalents	11 688 188	-	11 688 188
	11 688 188	30 449 290	42 137 478

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	20 922 540	20 922 540
Trade and other payables from exchange transactions	-	122 797 456	122 797 456
Finance lease obligation	-	3 830 779	3 830 779
Consumer deposits	-	122 797 456	122 797 456
Employee benefit obligation	1 618 925	-	1 618 925
	1 618 925	270 348 231	271 967 156

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	17 726 284	17 726 284
Other receivables from non-exchange transactions	-	24 932 391	24 932 391
Cash and cash equivalents	990 123	-	990 123
	990 123	42 658 675	43 648 798

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	21 334 249	21 334 249
Trade and other payables from exchange transactions	-	124 675 917	124 675 917
Finance lease obligation	-	4 416 125	4 416 125
Consumer deposits	-	4 202 439	4 202 439
Employee benefit obligation	1 399 725	-	1 399 725
	1 399 725	154 628 730	156 028 455

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

50. Deviations

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Reason	Month	Supplier	Amount	Description
Installation of a Server for mSCOA compliance purposes. The advert was placed using Reg 18, where bids were not received, goods and services were sourced directly due to the urgency of the needs.	Monday, 17 July 2017	ITNA (Pty) Ltd	69 212	Supply, Delivery and Setup of a Server
Training of caseware can only be provided by the supplier of the software. The authorisation letter to this effect is available for inspection.	Monday, 28 August 2017	Adapt IT (Pty) Ltd	71 741	Caseware Training
Only Xerox can issue these goods as they have the sole rights to supply them.	Tuesday, 15 August 2017	Rosburg Industrial Enterprise	5 996	Toner
Only CIGFARO can provide this summit/ Conference. Attended by delegates from BTO office, Office of MM, Mayor, Speaker.	Wednesday, 23 August 2017	CIGFARO	36 350	CIGFARO Conference
We are unable to obtain three quotations from various service providers due to the scarce nature of this programme. Efforts to source quotes within the province were fruitless as there are no other accredited providers hence NTC was approached in Ventersdorp as they were the only providers with relevant accreditation.	Tuesday, 29 August 2017	NTC Training Centre	51 800	Electrical Training
Supplier's Tax Status is Non Compliant, however the deceased body was already in the supplier's possession. The family had to be assisted with the coffin	Thursday, 21 September 2017	AMC Funerals	950	Supply of Burial Coffin
Sole Provider/ Trader Delegates had to attend the 18th Annual Library and Information Association of South Africa (LIASA) Conference and only LIASA can provide this conference	Wednesday, 20 September 2017	LIASA	23 000	Conference Attendance
The service provider needed to find faults on the municipal electricity networks, on an emergency basis, where half of the town was without power, and the internal staff had no capacity to detect faults.	Tuesday, 19 September 2017	Nandina Trading 551 CC t/a TRS	24 476	Repair and Maintenance on LMT HT Circuit Breaker
Sole Provider.Purchase of two licenses for Caseware software that was previously purchased. This software and accompanying licenses can only be purchased from Adapt IT as they are the developer and sole supplier of the products	Monday, 30 October 2017	Adapt IT (Pty) Ltd	29 435	Caseware licenses
Supplier's Tax Status is Non Compliant, however the deceased body is already in their possession. The family had to be assisted with the coffin	Thursday, 05 October 2017	Rekathusa Funeral Parlour	950	Supply of Coffin
Supplier's Tax Status is Non Compliant, however the deceased body is already in their possession. The family had to be assisted with the coffin	Thursday, 05 October 2017	AMC Funerals	950	Supply of Coffin

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

50. Deviations (continued)

Execution of the court order, which was obtained by the service provider.	Wednesday, Seleke 08 November Attorneys 2017	145 100 Lega Fees
The supplier has to provide fuel on the municipal behalf, on a backup basis.	Wednesday, Kuruman 13 December Landbou 2017 Diesnte (Bpk) Edms	29 986 Supply of diesel
Supplier's Tax Status is Non Compliant, however the deceased body is already in their possession. The family had to be assisted with the coffin	Tuesday, 09 Rekathusa January 2018 Funeral Parlour	950 Supply of Coffin
Supplier's Tax Status is Non Compliant, however the deceased body is already in their possession. The family had to be assisted with the coffin	Tuesday, 09 Rekathusa January 2018 Funeral Parlour	950 Supply of Coffin
The roller door and the braking machine rollers needed to be repaired urgently at the Traffic Department. As it is an emergency we were unable to obtain three quotations from various service providers. It is on this basis that the order had to be generated to avoid delay and to enable service delivery at the Traffic Department	Wednesday, Workshop 17 January Electronics 2018	32 183 Service and Calibrate of Vehicle Test Station Equipment
Strip and Quote: The supplier has to open the traffic lights channel controller to detect the fault and thereafter fix it.	Thursday, 25 Teletronic January 2018	13 875 Repairs of Traffic Lights
We are unable to obtain three quotations from various service providers for the Learners Licence Material. Mindmuzik Media (Pty) Ltd is the Sole Provider of the Revised Learners Licence Material as prescribed by the Department of Transport	Thursday, 25 Mindmuzik January 2018 Media (Pty) Ltd	16 175 Learners Licence Material
Procurement was on a cash on delivery basis and this was the only service provider who could assist the municipality at that short notice.	Thursday, 22 Pick N Pay February 2018	2 089 Catering Services
The service provider has to locate the faulty/ damaged (underground) first and thereafter repalce it with the new one. The motivation letter for this is available for inspection	Tuesday, 06 Nandina March 2018 Trading 551 cc t/a TRS	38 523 Locate Cable Fault
The supplier has to strip the Compactor Truck and diagnose the fault and thereafter fix the faults. This truck had been involved in the accident earlier. The accident report is available for inspection	Monday, 28 Letshogo May 2018 Engineering and Outsourcing	54 695 Strip and Quote
The sole supplier authorised to service the calibratoin machine. The calibration machine must be serviced, amongst the works to be caried out is supply of millibrakes software, load cell rewiring, lane 1 rerpairs, repair motor for brake tester.	Wednesday, Workshop 09 May 2018 Electronics	61 035 Testing Station Machine Calibration
The service provider has to locate the faulty/ damaged (underground) first and thereafter repalce it with the new one. The motivation letter for this is available for inspection	Thursday, 03 Fraqua 143 May 2018 cc t/aThe International Funeral society	1 900 Supply of a coffin
		712 321 -

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

51. Budget differences

Financial statement line item	Reference*	% Variance Final budget vs Actual amounts	Explanation of material differences between Final Budget vs Actual amounts	% Variance Approved vs Final budget	Explanation of material differences between Approved Budget and Final Budget amounts
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands		-44%	Lack of demand for stand in the current year	-33%	The adjustment was made in order to adjust for the anticipation of decrease in demand of stands
Interest on investments		29%	Conditional grants were ringfenced to all accounts and only disbursed when payments were due.	52%	
Revenue from non-exchange transactions					
Government grants and subsidies realised		32%	Municipality spent all its conditional grants which translated into conditions being met and revenue recognized	-21%	
Public contributions and donations		100%	Various donations were received from the mining companies during the financial year	100%	Donations were received from mining companies but were not anticipated
Fines, Penalties and Forfeits		-5%	decrease in traffic fines issues as compared to the prior year due to no camera fines during the year	-8%	-
EXPENDITURE					
Employee related costs		16%	Increase in post employment benefits and current year service costs realised in the year	-12%	
Remuneration of councillors		16%	Upperlimits increase as well as increase in cellphone allowance for Councillors	2%	
Depreciation and amortisation		174%	The difference was due to changes in the useful life of assets that could not be adequately determined during the budgeting process.	223%	-

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

51. Budget differences (continued)

Finance costs	186%	Late payment charges on the eskom bulk account due to cash flow problems	61%
Repairs and maintenance	-33%	Increase in expenditure due to ageing municipal infrastructure as well as increased emergency work done on sewer network and electricity	1051%
Bulk purchases	10%	Increase in demand during peak season as well as NERSA tariff increase	20%
Contracted services	-21%	Mostly due to VAT consulting on the recovery from SARS, this is on contingency basis	-62%

52. Prior period errors

During the year under review, the following errors were identified for prior year Annual Financial Statements:

The correction of the error(s) results in adjustments as follows:

Statement of financial position	As previously reported	Adjustments	Reclassifications	Restated
ASSETS				
Current Assets				
Inventories	53 048 213	4 941 800	-	57 990 013
Receivables from non-exchange transactions	24 932 391	-	-	24 932 391
VAT receivable	22 025 161	(6 715 608)	-	15 309 553
Receivables from exchange transactions	20 300 105	-	-	20 300 105
Cash and cash equivalents	990 123	-	-	990 123
	121 295 993	(1 773 808)	-	119 522 185
Non-Current Assets				
Investment property	6 961 100	-	-	6 961 100
Property, plant and equipment	1 179 367 256	59 541 002	-	1 238 908 258
Intangible assets	573 105	-	-	573 105
Heritage assets	1 655 642	-	-	1 655 642
	1 188 557 103	59 541 002	-	1 248 098 105
	1 309 853 096	57 767 194	-	1 367 620 290

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Prior period errors (continued)

LIABILITIES

Current Liabilities

Other financial liabilities	6 666 473	-	-	6 666 473
Finance lease obligation	1 597 114	-	-	1 597 114
Payables from exchange transactions	124 675 910	-	-	124 675 910
Consumer deposits	4 202 439	-	-	4 202 439
Employee benefit obligation	1 399 725	-	-	1 399 725
Unspent conditional grants and receipts	18 492 566	-	-	18 492 566
	157 034 227	-	-	157 034 227

Non-Current liabilities

Other financial liabilities	14 667 776	-	-	14 667 776
Finance lease obligation	2 819 011	-	-	2 819 011
Employee benefit obligation	23 424 176	-	-	23 424 176
Provisions	4 870 377	-	-	4 870 377
	45 781 340	-	-	45 781 340

TOTAL LIABILITIES	202 815 567	-	-	202 815 567
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NET ASSETS	1 107 037 529	57 767 194	-	1 164 804 723
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Reserves

Revaluation reserve	14 835 415	-	-	14 835 415
Accumulated surplus	1 092 202 114	(57 767 194)	-	1 034 434 920
	1 107 037 529	(57 767 194)	-	1 049 270 335

Statement of Financial Performance

As previously reported	Adjustments	Reclassifications	Restated
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REVENUE

Revenue from exchange transactions

Sale of stands	5 618 635	-	-	5 618 635
Service charges	122 759 546	-	-	122 759 546
Rental of facilities and equipment	1 926 041	-	-	1 926 041
Interest received (trading)	5 901 682	-	-	5 901 682
Licences and permits	5 050 505	-	-	5 050 505
Other revenue	14 962 597	-	-	14 962 597
Interest received (investments)	176 099	-	-	176 099
	156 395 105	-	-	156 395 105

Revenue from non-exchange transactions

Property rates	36 250 313	-	-	36 250 313
Government grants and subsidies	226 228 557	-	-	226 228 557
Public contributions and donations	699 022	-	-	699 022
Fines, Penalties and Forfeits	9 739 846	-	-	9 739 846
	272 917 738	-	-	272 917 738

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Prior period errors (continued)

Expenditure			Total
Employee related costs	(103 870 213)	-	- (103 870 213)
Remuneration of councillors	(7 815 297)	-	- (7 815 297)
Depreciation and amortisation	(51 787 773)	-	- (51 787 773)
Impairment loss	(16 541 727)	-	- (16 541 727)
Finance costs	(2 763 397)	-	- (2 763 397)
Provisions	(15 370 191)	-	- (15 370 191)
Repairs and maintenance	(18 697 311)	-	- (18 697 311)
Bulk purchases	(96 152 230)	-	- (96 152 230)
Contracted services	(8 421 950)	-	- (8 421 950)
General expenses	(71 190 522)	-	- (71 190 522)
	(392 610 611)	-	- (392 610 611)

Profit/(loss) on disposal	(920 923)	-	- (920 923)
Actuarial gains	1 720 891	-	- 1 720 891
	38 423 123	-	- 38 423 123

Cash Flow Statement

Cash flows from operating activities

Receipts

	As previously reported	Adjustments	Reclassification ns	Restated
Sale of goods and services	160 059 485	-	-	160 059 485
Grants	235 809 907	-	-	235 809 907
Interest income	176 099	-	-	176 099
Other receipts	15 661 619	-	-	15 661 619
	411 707 110	-	-	411 707 110

Payments

Employee costs	(111 685 507)	-	-	(111 685 507)
Suppliers and other payments	(196 094 300)	-	-	(196 094 300)
Finance costs	(2 763 397)	-	-	(2 763 397)
	(310 543 204)	-	-	(310 543 204)

Cash flows from investing activities

Purchase of property, plant and equipment	(102 127 484)	-	-	(102 127 484)
Proceeds from sale of property, plant and equipment	2 994 467	-	-	2 994 467
Purchase of intangible assets	(400 000)	-	-	(400 000)
Proceeds from sale of intangible assets	138 526	-	-	138 526
	(99 394 491)	-	-	(99 394 491)

Cash flows from financing activities

Movement in other liabilities	(2 527 619)	-	-	(2 527 619)
Increase in finance lease assets	1 215 960	-	-	1 215 960
	(1 311 659)	-	-	(1 311 659)

Net decrease in cash and cash equivalents	457 756	-	-	457 756
Cash and cash equivalents at the beginning of the year	532 367	-	-	532 367
	990 123	-	-	990 123

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

53. Events after the reporting date

Investment property was subsequently revalued after year end in July 2018 in line with the municipality's policy of revaluing investment property every four years. The last revaluation was performed in 2014.

54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

55. Other disclosures

VAT was increased from 14% to 15% effective from the 1st of April 2018.